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SECORD TOWNSHIP GLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2008

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RSM! McGladrey Network

An Independently Owned Member

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Independent Auditors' Report

August 13, 2008

Township Board
Secord Township
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of and for the year ended June 30, 2008, which collectively comprise the Secord Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Secord Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Township Board
Secord Township
August 13, 2008

In accordance with Government Auditing Standards, we have also issued a report dated Date on our consideration of Secord Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Secord Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The Township's net assets increased by \$118,675 or 7%. Program revenues were \$300,318 or 35% of total revenues, and general revenues were \$561,910 or 65%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Secord Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund and the Fire Fund, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2008 and 2007:

Exhibit A	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 1,404,634	\$ 1,300,012
Capital assets - net of accumulated depreciation	<u>565,778</u>	<u>527,563</u>
Total assets	<u>1,970,412</u>	<u>1,827,575</u>
Liabilities		
Current liabilities	61,441	9,279
Long-term liabilities	<u>139,000</u>	<u>167,000</u>
Total liabilities	<u>200,441</u>	<u>176,279</u>
Net Assets		
Invested in capital assets - net of related debt	420,954	352,718
Restricted	909,497	925,847
Unrestricted	<u>439,520</u>	<u>372,731</u>
Total net assets	<u><u>\$ 1,769,971</u></u>	<u><u>\$ 1,651,296</u></u>

This analysis focuses on net assets. The Township's net assets were \$1,769,971 at June 30, 2008. Capital assets, net of related debt totaling \$144,000 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the General and Fire Fund.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The \$439,520 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities and is summarized in Exhibit B below which shows the changes in net assets for the years ended June 30, 2008 and 2007.

Exhibit B	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 298,435	\$ 313,009
Grants and contributions	1,883	1,853
General revenue:		
Property taxes	442,085	422,227
State shared revenues	79,073	78,159
Other	<u>40,752</u>	<u>68,461</u>
Total revenue	<u>862,228</u>	<u>883,709</u>
Function/Program Expenses		
General government	111,525	96,329
Public safety	57,244	76,501
Public works	313,043	323,542
Highways and streets	243,930	220,504
Planning, zoning and inspector	10,861	8,345
Interest on long-term debt	<u>6,950</u>	<u>6,879</u>
Total expenses	<u>743,553</u>	<u>732,100</u>
Change in Net Assets	<u><u>\$ 118,675</u></u>	<u><u>\$ 151,609</u></u>

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$743,553. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$442,085 in taxes, \$79,073 in State shared revenues and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$118,675. Key reasons for the change in net assets were an increase in the property tax base, and a decrease in expenditures from budgeted capital projects, road construction and road maintenance costs. The increase will be used for future weed control, Township improvements and road projects. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$1,349,017, which is above last year's total of \$1,299,512. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

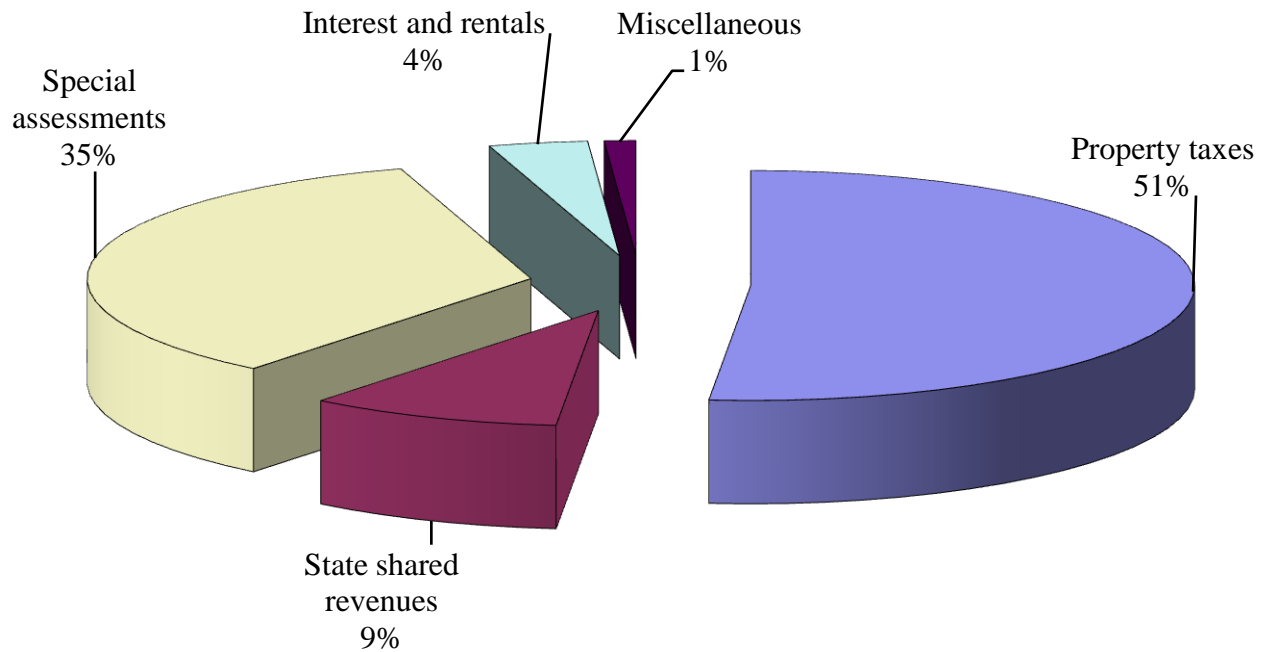
	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase (Decrease)</u>
General	\$ 1,198,656	\$ 1,151,633	\$ 47,023
Special Revenue	<u>150,361</u>	<u>147,879</u>	<u>2,482</u>
Total	<u>\$ 1,349,017</u>	<u>\$ 1,299,512</u>	<u>\$ 49,505</u>

- Our General Fund increased \$47,023. The increase is mainly due to an increase in the taxable value of property and a decrease in expenditures for budgeted road construction and road maintenance costs.
- Our Special Revenue Fund increased \$2,482. The increase is due to an increase in tax revenue and a reduction in capital improvement spending.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.

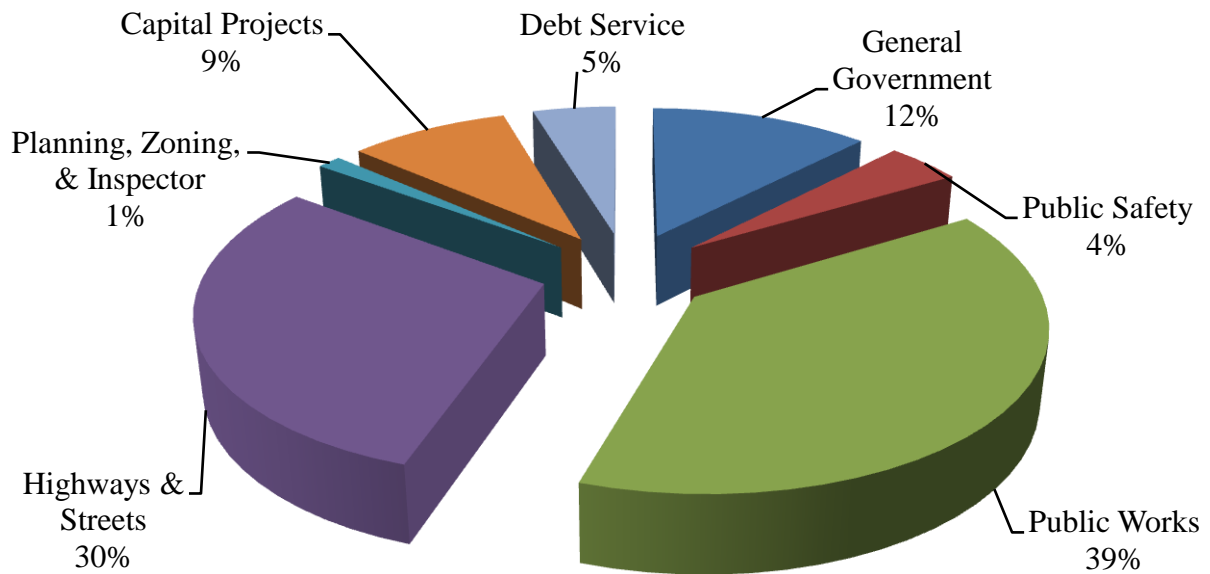
Sources of Revenues



SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The graph below illustrates 30% of the Townships' resources are spent on highways and streets. Another 39% is spent on public works services such as weed control and rubbish removal, while 12% is spent for general government expenses such as administrative costs and hall and ground expenses, including utilities. The remaining 19% is spent on other services provided to the residents of the Township as listed below.

Expenditures



SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The chart below compares current year expenditures with prior year (excluding transfers).

	<u>2008</u>	<u>2007</u>
<i>Expenditures by Function</i>		
General government	\$ 99,921	\$ 96,329
Public safety	34,181	76,501
Public works	313,043	323,542
Highways and streets	243,930	220,504
Planning, zoning and inspector	10,861	8,345
Capital projects	72,882	22,416
Debt service	<u>37,905</u>	<u>12,760</u>
 Total	 <u><u>\$ 812,723</u></u>	 <u><u>\$ 760,397</u></u>

Expenditures increased by \$52,326 or 7% from the prior year mostly due to the increased cost for road projects and an addition to the fire department building during the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were immaterial changes to the General Fund original budget. The differences between the budget and the final actual amounts are as follows:

- Actual revenues were less than budgeted revenue by \$8,139. The difference is due to more property tax revenue being collected in the current year than expected, which was off set by less special assessment revenue and interest income than expected.
- Actual expenditures were less than budgeted expenditures by \$81,917. The difference is due to general government expenses and street project costs being less than expected.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Capital Assets

At June 30, 2008, the Township had \$565,778 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of \$38,215 from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 10,850	\$ 10,850
Buildings and improvements	471,329	412,448
Machinery and equipment	<u>348,995</u>	<u>338,595</u>
Total capital assets	831,174	761,893
Less accumulated depreciation	<u>265,396</u>	<u>234,330</u>
Net capital assets	<u><u>\$ 565,778</u></u>	<u><u>\$ 527,563</u></u>

This year's additions of \$69,281 included an addition to the fire department building and a generator. No debt was issued for these additions.

We do not anticipate any major capital additions in the upcoming year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Township had \$144,000 in long-term debt outstanding versus \$174,845 in the previous year – a change of 18%. The long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Installment note and capital leases	<u><u>\$ 144,000</u></u>	<u><u>\$ 174,845</u></u>

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

The taxable amount of the property within the Township continues to increase in value. The Township assessor estimates that the value will increase over 10% over the next few years.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Secord Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Secord Township
1507 Secord Dam Road
Gladwin, MI 48624

SECORD TOWNSHIP
Statement of Net Assets
June 30, 2008

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,358,869
Special assessment receivable	45,765
Capital assets - net of accumulated depreciation of \$265,396	<u>565,778</u>
Total Assets	<u>1,970,412</u>
<u>Liabilities</u>	
Accounts payable	9,852
Accrued interest payable	824
Deferred revenue	45,765
Noncurrent liabilities:	
Due within one year	5,000
Due in more than one year	<u>139,000</u>
Total Liabilities	<u>200,441</u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	420,954
Restricted for:	
Streets and highways	420,210
Rubbish removal	226,448
Lake improvements	262,839
Capital improvements	44,043
Unrestricted	<u>395,477</u>
Total Net Assets	<u><u>\$ 1,769,971</u></u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Governmental
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Activities</u>
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
Primary Government -				
Governmental activities:				
General government	\$ 111,525	\$ 57	\$ 0	\$ (111,468)
Public safety	57,244	0	0	(57,244)
Public works	313,043	288,863	0	(24,180)
Highways and streets	243,930	7,435	1,883	(234,612)
Planning, zoning and inspector	10,861	2,080	0	(8,781)
Interest on long-term debt	<u>6,950</u>	<u>0</u>	<u>0</u>	<u>(6,950)</u>
Total governmental activities	<u>\$ 743,553</u>	<u>\$ 298,435</u>	<u>\$ 1,883</u>	<u>(443,235)</u>
General revenues:				
Property taxes, levied for general purposes				81,759
Property taxes, levied for public safety				109,414
Property taxes, levied for highways and streets				250,912
State shared revenues				79,073
Investment earnings				24,372
Franchise fees				6,267
Miscellaneous				<u>10,113</u>
Total general revenues				<u>561,910</u>
Change in net assets				118,675
Net assets - beginning of year				<u>1,651,296</u>
Net assets - end of year				<u>\$ 1,769,971</u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2008

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,204,794	\$ 154,075	\$ 1,358,869
Special assessment receivable	<u>45,765</u>	<u>0</u>	<u>45,765</u>
Total Assets	<u><u>\$ 1,250,559</u></u>	<u><u>\$ 154,075</u></u>	<u><u>\$ 1,404,634</u></u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 6,138	\$ 3,714	\$ 9,852
Deferred revenue	<u>45,765</u>	<u>0</u>	<u>45,765</u>
Total liabilities	<u>51,903</u>	<u>3,714</u>	<u>55,617</u>
<u>Fund Balances</u>			
Reserved for streets and highways	420,210	0	420,210
Reserved for rubbish removal	226,448	0	226,448
Reserved for lake improvements	262,839	0	262,839
Reserved for capital improvements	0	44,043	44,043
Unreserved	<u>289,159</u>	<u>106,318</u>	<u>395,477</u>
Total fund balances	<u>1,198,656</u>	<u>150,361</u>	<u>1,349,017</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,250,559</u></u>	<u><u>\$ 154,075</u></u>	<u><u>\$ 1,404,634</u></u>

See accompanying notes to financial statements

SECOND TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds	\$ 1,349,017
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	831,174
Accumulated depreciation	(265,396)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Installment notes	(144,000)
Accrued interest payable is not included as a liability in governmental activities	<u>(824)</u>
Total net assets - governmental activities	<u><u>\$ 1,769,971</u></u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Fire Fund	Total
<u>Revenues</u>			
Property taxes	\$ 332,671	\$ 109,414	\$ 442,085
Special assessments	296,298	0	296,298
Licenses, fees and permits	2,137	0	2,137
State shared revenues	80,956	0	80,956
Interest and rentals	28,399	2,499	30,898
Miscellaneous	9,377	477	9,854
Total revenues	<u>749,838</u>	<u>112,390</u>	<u>862,228</u>
<u>Expenditures</u>			
Current:			
General government	99,921	0	99,921
Public safety	0	34,181	34,181
Public works	313,043	0	313,043
Highways and steets	243,930	0	243,930
Planning, zoning and inspector	10,861	0	10,861
Capital projects	0	72,882	72,882
Debt service	35,060	2,845	37,905
Total expenditures	<u>702,815</u>	<u>109,908</u>	<u>812,723</u>
Net change in fund balance	47,023	2,482	49,505
Fund balance - beginning of year	<u>1,151,633</u>	<u>147,879</u>	<u>1,299,512</u>
Fund balance - end of year	<u><u>\$ 1,198,656</u></u>	<u><u>\$ 150,361</u></u>	<u><u>\$ 1,349,017</u></u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 49,505
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(31,066)
Capital outlay	69,281
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	110
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>30,845</u>
Change in net assets of governmental activities	<u><u>\$ 118,675</u></u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	\$ 0
	<u>0</u>
<u>Liabilities</u>	
Due to other governmental units	\$ 0
Due to other funds	0
	<u>0</u>
Total liabilities	\$ 0
	<u>0</u>

See accompanying notes to financial statements

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Secord Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Secord Township:

Reporting Entity

Secord Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund accounts for Township fire protection service activities.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	10 to 20 years
Vehicles	10 to 15 years
Office equipment	5 to 15 years
Computer equipment	3 to 5 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Secord Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund and the Fire Fund are presented as Required Supplemental Information.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,358,869</u>	<u>\$ 0</u>	<u>\$ 1,358,869</u>

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2008, \$1,209,019 of the Township's bank balance of \$1,308,019 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of June 30, 2008, the Township had no investments.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Township for the year was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,850	\$ 0	\$ 0	\$ 10,850
Capital assets being depreciated:				
Buildings	393,542	0	0	393,542
Building and land improvements	18,906	58,881		77,787
Machinery and equipment	338,595	10,400		348,995
Subtotal	751,043	69,281	0	820,324
Less accumulated depreciation for:				
Buildings	26,944	10,645	0	37,589
Building and land improvements	6,235	1,164	0	7,399
Machinery and equipment	201,151	19,257	0	220,408
Subtotal	234,330	31,066	0	265,396
Net capital assets being depreciated	516,713	38,215	0	554,928
Governmental activities, total capital Assets - net of depreciation	<u>\$ 527,563</u>	<u>\$ 38,215</u>	<u>\$ 0</u>	<u>\$ 565,778</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	\$ 11,604
Public safety	<u>19,462</u>
Total Governmental Activities	<u><u>\$ 31,066</u></u>

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2007	Additions	Retirements and Adjustments	Balance June 30, 2008	Amount Due Within One Year
Capital leases	\$ 2,845	\$ 0	\$ 2,845	\$ 0	\$ 0
Installment note	172,000	0	28,000	144,000	5,000
Total	<u>\$174,845</u>	<u>\$ 0</u>	<u>\$ 30,845</u>	<u>\$ 144,000</u>	<u>\$ 5,000</u>

Secord Township entered into a capital lease agreement on December 27, 1996 in the amount of \$111,258 at an interest rate of 5.9% for ten years. The capital lease was used to purchase the Ford F800 water pumper truck. Depreciation of the vehicles and equipment being purchased by capital lease are included in depreciation expense.

Secord Township entered into an installment note on October 24, 2004 in the amount of \$260,000 at an interest rate of 4.375% for thirty years. Payments are due on the 1st of October in amounts varying from \$5,000 to \$15,000 plus interest. The installment note was used to construct the Township hall at 1507 Secord Dam Road, Gladwin, Michigan.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligation are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,000	\$ 6,338	\$ 11,338
2010	5,000	5,972	10,972
2011	5,000	5,753	10,753
2012	6,000	5,513	11,513
2013	6,000	5,250	11,250
2014-2018	34,000	21,963	55,963
2019-2023	42,000	13,693	55,693
2024-2026	41,000	3,654	44,654
Total	<u>\$ 144,000</u>	<u>\$ 68,136</u>	<u>\$ 212,136</u>

NOTE 6 – RISK MANAGEMENT

Secord Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Secord Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Secord Township.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 6 – RISK MANAGEMENT (CONTINUED)

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

SECORD TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 318,193	\$ 318,193	\$ 332,671	\$ 14,478
Special assessments	313,009	313,009	296,298	(16,711)
Licenses, fees and permits	2,583	2,583	2,137	(446)
State shared revenues	76,540	81,071	80,956	(115)
Interest and rentals	35,700	35,700	28,399	(7,301)
Miscellaneous	7,421	7,421	9,377	1,956
Total revenues	<u>753,446</u>	<u>757,977</u>	<u>749,838</u>	<u>(8,139)</u>
<u>Expenditures</u>				
Current:				
General government	141,780	141,780	99,921	41,859
Public works	320,117	320,117	313,043	7,074
Highways and steets	256,394	263,532	243,930	19,602
Planning, zoning and inspector	15,700	15,800	10,861	4,939
Capital projects	4,500	4,500	0	4,500
Debt service	39,003	39,003	35,060	3,943
Total expenses	<u>777,494</u>	<u>784,732</u>	<u>702,815</u>	<u>81,917</u>
Net change in fund balance	(24,048)	(26,755)	47,023	73,778
Fund balance - beginning of year	<u>1,151,633</u>	<u>1,151,633</u>	<u>1,151,633</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,127,585</u>	<u>\$ 1,124,878</u>	<u>\$1,198,656</u>	<u>\$ 73,778</u>

SECORD TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Fire Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 103,918	\$ 103,918	\$ 109,414	\$ 5,496
Interest and rentals	1,190	1,190	2,499	1,309
Miscellaneous	1,116	1,116	477	(639)
Total revenues	<u>106,224</u>	<u>106,224</u>	<u>112,390</u>	<u>6,166</u>
<u>Expenditures</u>				
Current:				
Public safety	53,150	46,520	34,181	12,339
Capital projects	33,486	90,077	72,882	17,195
Debt service	3,000	3,000	2,845	155
Total expenses	<u>89,636</u>	<u>139,597</u>	<u>109,908</u>	<u>29,689</u>
Net change in fund balance	16,588	(33,373)	2,482	35,855
Fund balance - beginning of year	<u>147,879</u>	<u>147,879</u>	<u>147,879</u>	<u>0</u>
Fund balance - end of year	<u>\$ 164,467</u>	<u>\$ 114,506</u>	<u>\$ 150,361</u>	<u>\$ 35,855</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

August 13, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

Township Board
Secord Township
Gladwin County, Michigan

We have audited the financial statements of Secord Township as of and for the year ended June 30, 2008, and have issued our report thereon dated August 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Secord Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Secord Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the

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WEINLANDER FITZHUGH

Township Board
Secord Township
August 13, 2008
Page 2

deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (2008-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Secord Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Secord Township's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Secord Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Township Board, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

SECORD TOWNSHIP
Schedule of Findings and Responses
For the Year Ended June 30, 2008

2008-01

Criteria

Establishment and maintenance of internal controls over the financial reporting process including the notes to the financial statements

Condition

Many small governmental units cannot provide the resources in their budgets to maintain the financial expertise on a full time basis. The is the situation with the Township. Due to the limited financial expertise of the staff, the Township does not have the ability to monitor and report financial activity without auditor involvement.

Context

Auditors are not allowed to be considered to be part of the Township's internal controls. Internal controls should be in place to provide reasonable assurance to the Township that the management possesses the skills necessary to monitor and report annual financial activity in accordance with our professional standards without auditor involvement.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting.

Recommendation

The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity as funding is available.

Views of the Responsible Officials and Planned Corrective Action

Currently the Township does not have the funding to implement such a program. The Township Board intend to re-evaluate once funding becomes available for the additional education and monitoring.



WEINLANDER FITZHUGH

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August 13, 2008

Township Board
Secord Township
Gladwin County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Secord Township for the year ended June 30, 2008, and have issued our report thereon dated August 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards

As stated in our engagement letter dated June 9, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Secord Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Secord Township's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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Township Board
Secord Township
Page 2
August 13, 2008

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 9, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Secord Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during they year ended June 30, 2008 We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was depreciation.

Management's estimate of the estimated useful life is based on past experience and management's knowledge. We evaluate the key factors and assumptions used to develop the estimated useful life in determining that it is reasonable in relation to the financial statements taken as a whole.



WEINLANDER FITZHUGH

Township Board
Secord Township
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August 13, 2008

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 13, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



WEINLANDER FITZHUGH

Township Board
Secord Township
Page 4
August 13, 2008

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board, management and others within Secord Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh